

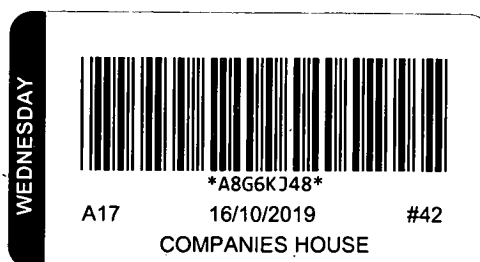
Midlands Arts Centre

A Company Limited by Guarantee

Trading as MAC

Annual Report & Financial Statements For The Year Ended 31 March 2019

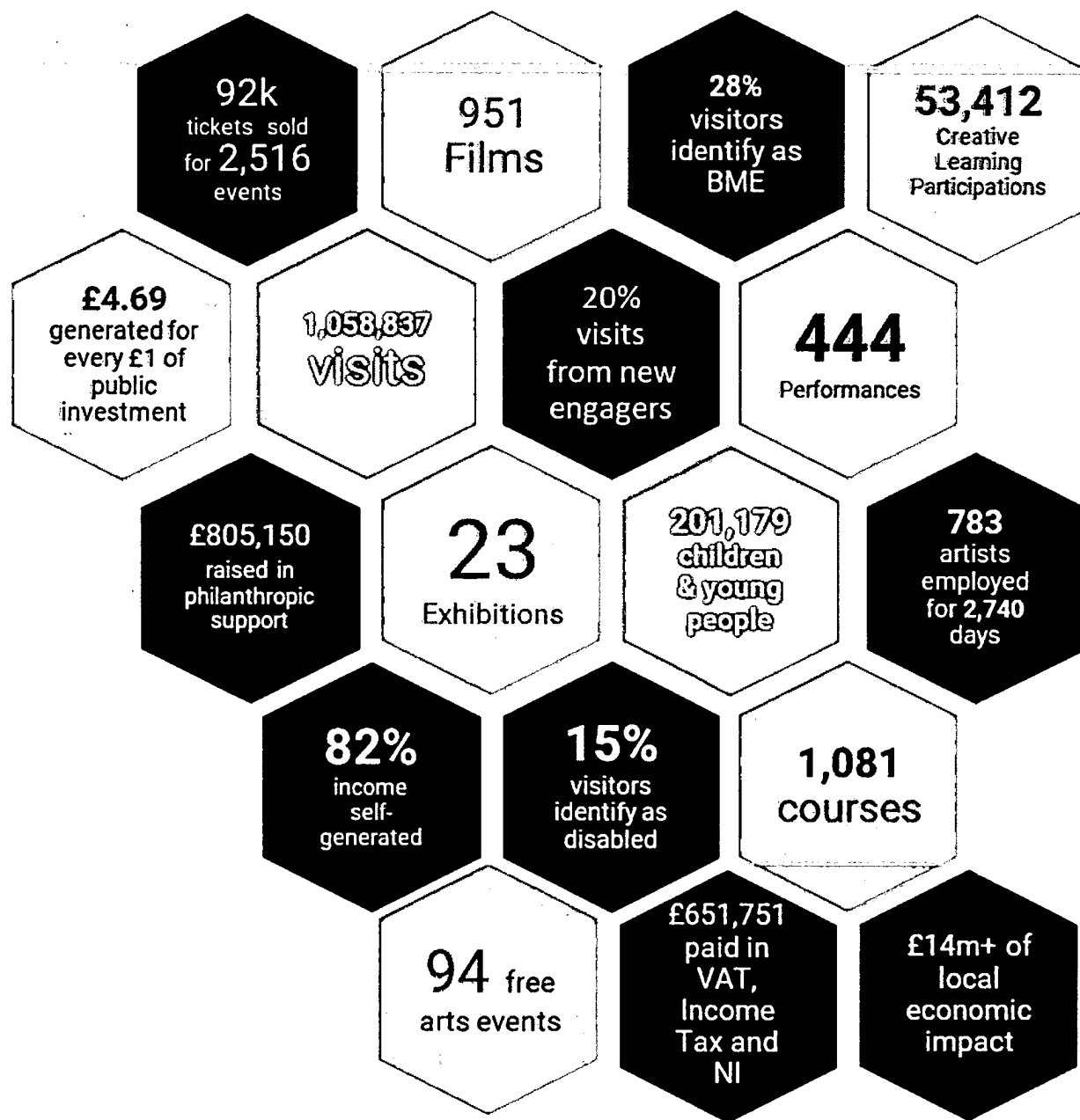
Company No: 00718349
Charity No: 528979



Report and Financial Statements for the Year Ended 31 March 2019

| Contents | Page |
|--|-------------|
| Chair's Report | 3 |
| Our Purposes and Activities | 5 |
| Achievements and Performance | 7 |
| Financial review | 16 |
| Plans for Future Periods | 22 |
| Charity Reference and Administrative Details | 24 |
| Auditor's Report | 29 |
| Consolidated Statement of Financial Activities | 32 |
| Balance Sheets | 33 |
| Consolidated Cash Flow | 34 |
| Notes to Financial Statements | 36 |

A Snapshot of MAC 2018/19



Report of The Trustees 2018/2019

The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2019 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Chair's Report

Looking back on another extraordinary year, I am struck by the power of MAC to draw audiences together in a shared love of the arts. Whether through our vibrant artistic programme or popular learning and participation activities, never before has MAC's role in Birmingham felt more dynamic.

From our Sensibility Festival with disabled children and their families who saw radical new art commissions extend into Cannon Hill Park, to the dynamic Beyond-Windrush season that resonated through MAC's venue so gloriously last summer – we aimed high to create some 'made to remember' moments, ensuring all visitors and artists remain centre stage.

This report offers an insight into the richness of the artistic opportunity we are able to make available to everyone in delivering our aims of "arts for all" and we are enormously proud as ever by the public's ongoing support.

MAC continues to build on its national reputation as one of the country's pre-eminent arts centres as well as one of the busiest, attracting hugely diverse audiences. Once again it was confirmed by Visit England (2018) that MAC was the most visited free attraction outside of London with 1.06 million visits.

Our work this year has only been made possible by the enormous support of long-established partners, in particular the Arts Council England, who rated MAC 'Outstanding' for the Creative Case for Diversity in our 2018/19 annual assessment. Very few organisations nationally are awarded this highest recognition and we are delighted that our dedicated work in particular with disabled and BAME communities has been commended.

We continue our four-year successful partnership with Youth Music, with our award winning MAC Makes Music programme that offers high quality, innovative experiences to young people across the region. This ties into our access work with MAC's volunteer programme the 'A Team' funded generously by The Esmée Fairbairn Foundation which supports residents with disabilities to actively contribute to cultural activities. And it is that inclusion which is at the heart of MAC's ethos, our work in this area is as ever supported invaluablely by players of People's Postcode Lottery. Our appreciation is extended to The Saintbury Trust, Roughley Trust and Feeney Trust whose loyal support remains integral to our success.

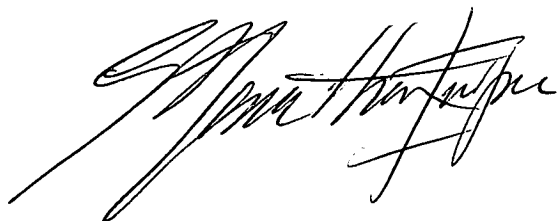
In 2018/19 public investment accounted for only 18% of MAC's turnover. The earned income we generated by our excellent trading offer supports our artistic programmes. Whilst audiences remain loyal it is the responsibility of the charity and our trading company to remain resilient and profitable. As is common with many arts organisations across the UK, there have been a number of serious external challenges. Despite our strategic approach to our work which continues to demonstrate our ambition and competency, we acknowledge that we are operating in difficult times and over the coming years our visitor base and stakeholder partners remain vital to our sustainability.

Looking to the future, MAC has a strong track record in fundraising and we welcome our first Head of Development to our Senior Management Team with a view to encourage greater individual, corporate and philanthropic giving, alongside wider economic development agencies. Our aim is to achieve greater commercial and earned income – this in connection to an ambitious capital programme that would see us extend our studio facilities to support improved access and digital plans as part of a radical overhaul of audience development.

We have already secured a very generous contribution from the Cadbury Trust towards this endeavour and applications have been submitted to Greater Birmingham & Solihull Local Enterprise Partnership and Arts Council England, we await their decision in October. We are also proud to note that in August 2019, we were awarded a significant grant of £219,000 from Spirit of 2012 that will see us establish a carers and music programme – again recognising our excellent work with vulnerable communities.

Undoubtedly our success stems from our incredibly passionate and hardworking workforce, without whom, our exemplary engagement programmes and impressive venue could not deliver such a compelling experience to our visitors. I would lastly like to recognise the ongoing efforts of my colleague Board members of MAC, whose outstanding commitment continues to ensure that MAC delivers a professional, diverse and valued service for everyone.

Jonnie Turpie MBE
Chair of The Trustees
24 September 2019

A handwritten signature in black ink, appearing to read 'Jonnie Turpie', written in a cursive style.

Our Purposes and Activities

MAC's principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others; and
- participate in, and undertake, their own arts activities.

Mission

To promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives.

Vision

Artists and their relationship with audiences are at our heart. Our programmes focus on work exploring new grounds and adopting inter-cultural and inter-disciplinary approaches across a range of art forms and the meeting points in between.

Values

MAC's ethos is based on a set of values which inform the whole of its activities and helps to shape the organisation's work. MAC values the following:

- excellence in artistic practice, that is experimental and strives to engage with audiences;
- helping artists to find their own, unique voice and to forge productive partnerships with other artists and the general public;
- celebrating diversity and strengthening social cohesion;
- offering equal opportunities to everyone whilst recognising the uniqueness of artistic talent;
- increasing the accessibility of the arts and respecting their complexity;
- giving participants and audiences more involvement in activities and introducing them to new challenges and innovations; and
- making the most of the social benefits of the arts and valuing the pleasure people gain from their own individual artistic expression through wellbeing.

Public Benefit

In reviewing its objectives and planning its activities, the Trustees have considered the Charity Commission's guidance on public benefit, including guidance on public benefit and fee charging.

The Board of MAC and its staff have continued to hold its business plan under review honing future plans in the light of operational experience, future public investment prospects and the strategic context for its future activities.

MAC relies on grants and the income from fees and charges to cover its operating costs. In setting the level of fees, charges and concessions, the Board gives very careful consideration to the accessibility of the centre for those on low incomes and those with particular needs.

MAC's venue continues to enable an increasingly wide range of arts, learning and participation activities and provides a base for substantial outreach activities through touring and community engagement, especially in communities with little access to arts participation. These activities are designed to meet the interests of all, and embrace specific strands for children, young people, families and people with disabilities. MAC places a firm emphasis on equality of access and the celebration of intercultural activities in a youthful and diverse city.

Achievements and Performance

Artistic Highlights from 2018/19 - A Flavour of the Year at MAC

MAC's extensive programme offered presentations across theatre, exhibitions, comedy, dance and music. Subjects explored included issues of gender politics, disability, mental health and LGBTQ experience, through to a range of new international commissions and residencies from the Caribbean, India and the USA, alongside MAC's assertion to create more exciting digital content beyond the venue.

Beyond Windrush Season

In recognition of the 70th year anniversary MAC presented a celebratory season with exhibitions, dance, spoken word and special events – to celebrate the real-life experiences of the Caribbean community and to recognise the contribution of newly arrived citizens coming to the UK today. In our new pre-Brexit world these issues are as relevant, if not more so, than they were 70 years ago.

Vanley Burke: 5,000 Miles and 70 Years

A renowned photographer, Burke is concerned especially with Black culture in Britain. He was born in Jamaica in 1951 and has lived in Birmingham since 1965. Inspired by the history of his family, Burke created a new site-specific window installation at MAC – a collage of Caribbean migration and settlement that transforms the venue into a vibrant space.

Andrew Jackson: From A Small Island

Showcasing new photographs produced in England and Jamaica, Birmingham artist Jackson explored how his personal relationship to Jamaica has been shaped by the mythologies of his family and the legacy of colonialism. Jackson's work was later acquired by a number of museums and income from those sales of work were recouped financially to MAC.

Phoenix Dance Theatre Presents Windrush: Movement of the People

This thrilling new dance piece celebrated the 70th anniversary of SS Empire Windrush's arrival, bringing the first wave of Caribbean migrants to the UK. The work is a lively celebration of the rise of multicultural Britain with an uplifting soundtrack of calypso, jazz, blues, gospel and reggae.

Faith in Art Season

Matthew Krishanu: The Sun Never Sets

This popular exhibition took inspiration from the artist's childhood spent in Bangladesh and the effect of his parent's missionary work. Two of the paintings were later acquired by international collectors with income returned to MAC.

Ways of Belonging: Sabihev Awanzai Mahmoud, FreeHandFanatic, Farwa Moledina and Anisa Fazal

This exhibition of work by four young female artists based in Birmingham attempts to redefine the narrative around what it means to be 'local' and to belong somewhere, while subverting media stereotypes that influence mainstream thinking about certain community groups and individuals.

Deepavali, the Festival of Light

South Asian dance celebration of Deepavali, one of the most popular Indian festivals globally which celebrates the victory of light over darkness and good over evil. This MAC-commissioned family-friendly event featured some of the region's most exciting professional and community dance artists and groups, appealing to a sell-out audience.

Focus on Disability

Sue Austin: Creating the Spectacle! Immersed in 360 – Exhibition

In repurposing her wheelchair to create fantastical art, Sue Austin continues to reshape and empower the discussion about disability and of her using her underwater wheelchair. The beautiful 360 degree film installation inspired audiences and invited a wide-ranging conversation about the perception of disability including a documentary film commissioned by BBC 3 interviewing the artist at MAC.

"Like nothing you've ever seen... graceful, balletic and utterly beautiful."
Matthew Cain, Culture Editor, Channel 4

Polly Braden: Out of the Shadows - Exhibition

The untold story of people with autism or learning disabilities, offers a very different view on the human cost of locking up people in prison with learning disabilities and/or autism. The exhibition offered a valuable insight into their stories and was very popular with audiences.

Sensibility Festival - Zoom: A Sensory Labyrinth

Sensibility Festival was a celebration of the senses especially devised for Profound and Multiple Learning Disabilities audiences. The festival hosted a mixture of sensorial experiences, performances, workshops and art installations including a new sensory labyrinth installation designed to be touched, eaten, smelt and felt.

MAC Makes Music

Another exciting year of music making activity for children and young people across the West Midlands, working alongside our funding partner Youth Music. With a shared goal to create a musically inclusive England, for those who experience physical, learning or social barriers, a major part of the programme is the development of band and ensemble opportunities for disabled young people, like those hosted at MAC.

SWITCH is MAC's very own in-house band for young people who meet weekly to write and produce their own songs, regularly performing at MAC and beyond. **OUT LOUD!** a choir for disabled young people and their parents/carers has also been established and is proving popular alongside new, Baby JAM, JAM Tots and Junior JAM courses. JAM courses support disabled children to explore music through a wide range of musical games, songs and instruments in a relaxed environment.

Frozen Light: The Isle of Brimsker

A new multi-sensory story from Frozen Light, specialists in making theatre for audiences with Profound and Multiple Learning Disabilities.

SPECTRA: I am Me. We Are Kindred

Created with inclusivity at its core, all ages and abilities were welcomed as part of this installation take over across the venue devised, produced and led by a group of disabled performers.

Eye Music Trust: Colourscapes

Nestled in Cannon Hill Park, MAC presented Colourscape, an amazing walk-in labyrinth of intense colour and light, through 25 interlinked chambers including a large Silver Dome silver dome filled with musicians and dancers with fragrances released synchronised with the music.

FORGE: Forging Ahead

A two-day event that focused on inclusive programming. An expert panel and 'open space' style discussions considered the importance of, and opportunities for, inclusive programming, enabling attendees to contribute insight into challenges and to investigate ways forward.

Birmingham International Dance Festival

Bringing the City's theatres and streets alive with a month of the best International dance and movement with a focus on disability at MAC.

Candoco Dance Company: Face In & Let's Talk About Dis

Working with an inclusive cast of disabled and non-disabled dancers, two new commissions expressed through striking images and daring uninhibited dance were successfully presented at MAC to sell out audiences.

Older People's Programme

Culture Club

MAC launched our newly established arts and culture club in January 2019 for Birmingham-based people, aged 65 and above. The monthly club offers exciting opportunities for members to socialise, try out all kinds of creative activities and maybe even learn some new skills.

A-Team

MAC's A-Team of specially trained and dedicated volunteers continued their brilliant work in supporting Birmingham residents to access arts activities at MAC and to get the most out of their visits.

Digital and Young People

Digital activity is at the heart of MAC's work with young people – detailed below are a number of the new commissions invested to ensure high quality, innovative work.

Little Geeks

Little Geeks is MAC's brand new, digital tech festival that took over the venue in October Half-Term. It featured a cool line-up of live shows, virtual reality, gaming and workshops, and offered plenty of activities for families and intergenerational visitors to enjoy.

Girls That Geek

This day-long conference brought together key speakers from arts and technology industries for a series of discussions exploring women in art and technology aimed at secondary school students.

Visual Poke: Spooky Digital Projection Mapping

MAC was transformed with an extraordinary animated digital projections with a decidedly haunted feel during the Little Geeks Festival. It was an epic new installation that saw the external building converted into a huge video screen.

Becca Rose Glowacki: Meshwork Orchestra

This was a brand new commissioned installation by the acclaimed artist-educator, Becca Rose Glowacki. Visitors were invited to make music by weaving textiles with conductive materials as part of the Meshwork Orchestra using textile sensors as part of an electronic musical instrument.

Tom Dale Company: I INFINITE

A stunning digitally-animated live dance show from Tom Dale Company, inspired by the digital world's quest to recreate life.

Artistic Development

PILOT

The West Midlands' much-loved work-in-progress platform launched its 2019/20 programme at MAC showcasing the newest talented theatre makers to sell out audiences.

First Bite Festival

An eclectic mix of extracts, new ideas and work-in-progress from some of the most exciting theatre-makers in the region. Three of the pieces seen at First Bite were later commissioned by the festival partners and will be shown at the Bite Size Festival in January 2020.

MAC Craft Fellows

During the past 9 months MAC has been supporting five recent graduates on their journey from postgraduate to confidently working as professional makers. They have each received professional development, mentoring, business support sessions and a paid commission to create a new work.

Next Generation

MAC's Next Gen offer is varied and offers an entry point and catalyst for young people and emerging artists to engage their creative capabilities in a supported environment. This enables them to develop skills through exposure and training in a variety of areas. A good example is a partnership with the 4th BFI film academy supporting 20 aspiring young film makers to develop their film making potential and to create brand new shorts films, including a live action/animation short and a documentary about getting into the film industry.

Rudolf

Award winning theatre company Pins and Needles Productions, performed well with early years and family audiences. Alongside this we promoted MAC's Gift a Ticket fundraising campaign that saw us offer 500 free tickets to families who would ordinarily not have access to theatre.

Surge in Spring

An international music festival with world-class musicians, laced with traditional styles and infectious grooves from Senegal, Haiti, Ukraine and Sudan. Composer Sid Peacock celebrates Ireland's musical traditions, leading his Surge Orchestra as they perform with classical/Irish flautist, Eimear McGeown, Ulster Scots piper, Darren Milligan and Congolese guitarist, Niwel Tsumbu.

Independent Cinema at MAC

We continued to offer diverse, British made and international titles in a mix of new releases and art-house films as well as special live screenings. Festival partners included SHOUT Festival; Flatpack; London Indian Film Festival; Behind the Curtain Festival and Screening Rights Festival in partnership with the University of Birmingham.

Learning and Participation

With over 1,500 sessions annually MAC is a 'making' and 'doing' place, where visitors can learn practical arts skills in our well-equipped studios led by a team of professional Artist Tutors. Learning and Participation projects are developed in a range of formats, as well as off-site opportunities.

Made at MAC

Throughout the year we showcased the work created by MAC course participants and the richness of their learning experience. The exhibitions demonstrate the creative talents of both the Artist Tutors and their students from the 200+ creative courses on offer.

Communications & Digital Engagement

With a footfall in the centre of over 1 million visits per year, a highly active social media following on Twitter and Facebook, we are consistently developing sales via our website and a high pick-up rate for print, MAC continues to develop awareness of its presence and its offer with participants and audiences.

Box Office Statistics

- No of Events 2,516
- Total Bookers 23,775
- Total Tickets 92,092
- Average Party Size 2.27
- Total Income from Ticket Sales £1,326,638
- Average Ticket Yield £14.87
- Frequency of ticketed attendance 3.87 in a year, a 7% decrease on the previous year.

Audience Demographics

- 61% of our ticketed audience are from Birmingham, Solihull 8%, Sandwell 5%, Dudley 4%, Bromsgrove 3%, Walsall 2% and other 17%
- 15% of ticketed audience from a BAME background but including non-ticketed events 28%
- 1 in 5 from low engagement backgrounds. However mid-engaged audience now make up 43% of audiences (up 3%)
- MAC average ticket yield is £14.87 compared to West Midlands average of £25.58 making us comparatively affordable
- Audiences who describe themselves as disabled up by 1% to 15%
- 20% attendance from Children & Young People, 18% Over 65

Press, Digital and Individual Fundraising

- PR Value of Press and Media coverage £8.34m
- Average monthly unique visitors to website 44,261
- 60% of transactions online
- 24% of transactions include a donation
- 18k followers on Facebook and 82k on Twitter

Audience Development

MAC is passionate about engaging with as many people as possible and to connect with those residents who live in challenging circumstances. Far more than an arts centre – MAC extends creative initiatives beyond the venue to a diverse range of groups and collectives. Over 2018/19 we worked extensively with two important issues – isolation of the elderly and mental health – only by working across agencies and with external charities were we able to produce effective and successful outcomes.

Commercial Trading

Our trading activities have seen development in new regular pop-up events, extended catering offers as well as successful events sales, catering and bar services. Our trading arm has delivered significant income to the parent charity over the year. Without this financial return to the parent company our charitable work would be severely restricted.

Equality, Diversity and Workforce

MAC is an organisation committed to driving diversity, with our mission to provide a gateway connecting people with the arts. Both in its provision of services and as an employer, MAC seeks not only to ensure equality of opportunity, but also to sustain a long term strategy to develop a greater understanding of the diversity of people with whom we live and work in order to strengthen our programme, enhance our visitors' experience and enable staff to maximise their potential.

The Consultative Forum and regular staff meetings provide an effective means of consulting employees and their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests. It also assists in achieving a common awareness for all employees of the financial and economic factors affecting the performance of the charity.

We are committed to paying our staff fair wages and to observe nationally negotiated pay rates to which our staff salaries are linked. In addition:

- As a committed learning organisation we offer investment and progression routes for our own workforce and others by providing volunteering and placement opportunities;
- We placed students in a variety of roles including in studios with technicians and artist tutors, in Operations, Arts, Marketing, Catering and Administration departments;
- Through our Next Gen programme, and in partnership with a range of community partners supporting young people with their creative development, we develop leadership abilities, risk taking and resilience; and
- We organise specific opportunities across the centre in partnership with a range of disability organisations to promote initiatives such as Disabled Access Day and Dementia Awareness Training.

Volunteers

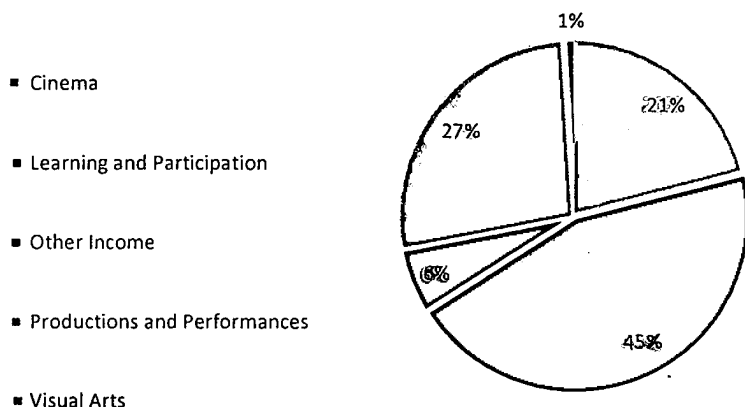
MAC is very involved in communities and benefits greatly from voluntary support in some areas. We are pleased to offer a wide range of volunteering opportunities within the organisation and especially proud that our volunteering and shadowing opportunities are taken up by a significant number of people with personal experience of disability. During the year 69 volunteers assisted with supporting events, projects and performances both at MAC and through our community outreach activities. We wish to thank all our volunteers for their support and service and all the skills and enthusiasm they bring to the organisation.

In 2017 MAC established a new volunteering system with financial support from The Esmée Fairbairn Foundation that allowed for a specialist Volunteer Manager to work with greater reach across the City. We have created a specialist access strand which will work in the form of a 'buddy' system where a volunteer helps facilitate a visit to the theatre, cinema or workshop. MAC also led on the volunteers involved in Birmingham Commonwealth Games handover event. In addition we have held 'drop in sessions' to encourage a range of volunteering opportunities and from that training sessions are booked to cover customer service, health and safety and the details of the extensive programme.

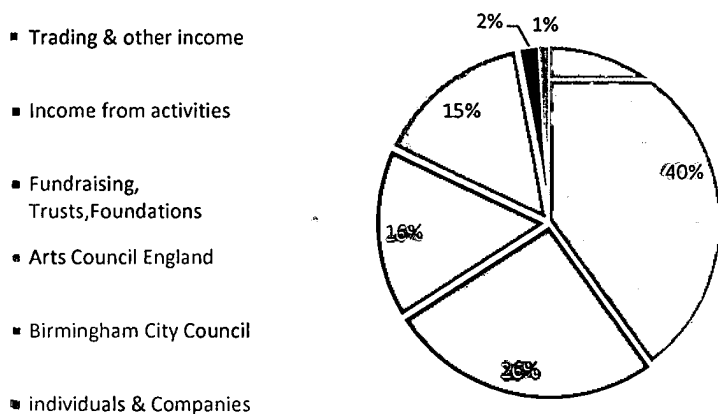
Financial Review

MAC's financial objective is to ensure financial stability and continued solvency year on year so that it can pursue its artistic aims and objectives. For the financial period ended 31 March 2019 MAC recorded a surplus of £34,131 on its unrestricted general fund resulting in unrestricted general reserves carried forward of £503,294, designated funds c/f of £685,526 and a deficit of £711,951 on its pension fund, resulting in net unrestricted funds of £476,869. MAC has followed FRS 102 in preparing these financial statements and the statement of financial activities (SOFA), balance sheet and notes are set out from page 32 onwards.

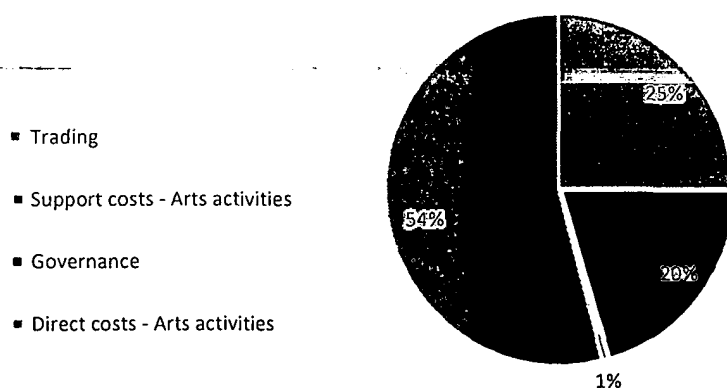
Arts Income 2018-19



Income 2018-19



Expenditure 2018-19



- During the year our earned income represented 66% of total income;
- Core funding income from Arts Council England and Birmingham City Council (Service contract) amounted to 17% of total income;
- Grant income from trusts, foundations, corporate and individual giving comprised 17% of total income;
- Wages, including employed artists as tutors, were 49% of total expenditure; and
- Payment to freelance and contracted artists represented 16% of total expenditure; whilst costs of running the building were 12% of total costs.

MAC produced a new four-year Business Plan in November 2017. Progress is being monitored against this plan.

Principal funding sources

MAC generates income from box office, fundraising, commercial trading income and other sundry sources including the revenue from touring its productions and exhibitions and fees paid for outreach projects and activities.

Arts Council England

MAC is a National Portfolio Organisation (NPO) within the funding programmes of Arts Council England (ACE). 2018/19 was the first year of a four-year funding agreement from 1 April 2018 to March 2022 based on a cash standstill.

Birmingham City Council

MAC has an annually reviewed Service Level Agreement (SLA) with Birmingham City Council (BCC). BCC's budgets have been severely reduced. MAC received a funding agreement from 01 April 2018 to 31 March 2019 based on a cash standstill. MAC has not received a funding agreement for 2019/20. An allocation of funding has been confirmed by BCC but it is the treatment of that financial arrangement that is currently under discussion.

Players of the People's Postcode Lottery

MAC has been a recipient of an annual award since 2014. The grant (received in calendar year) has seen a generous and welcome increase Jan-Dec 2018 - £350,000; Jan-Dec 2019 - £375,000 and Jan-Dec 2020 - £375,000 (pending application). The support of PPL is invaluable and their grant is allocated to artistic programme that engages social issues and community engagement.

Fundraising

We continue to focus on fundraising from a variety of sources which is key to help sustain and develop our activities, especially for those with the least ability to pay, whether individuals or groups, and to support the work of emerging and early stage artists.

We exceeded our fundraising target in 2018/19 with a total of £641,504 raised in the year;

- Our fundraising includes sums contributed through donations from individuals, trusts and foundations;
- £31,185 of funding is attributed to support from individuals through interactive collection boxes in the building, donations at the point of sale on web/counter/phone; and on-going discussions with a number of trusts in relation to potential new giving.

Investment Policy

In formulating an investment policy, MAC has recognised that whilst it may have surplus funds to invest, these are likely to be called upon in the short to medium term. The policy therefore is to hold investments in liquid funds so they are available to meet predicted cash-flow needs. In selecting suitable cash deposits the policy is to maximise the return and maintain low transaction costs, whilst ensuring high levels of capital security by minimising credit risk and minimising interest rate risk. Deposits and interest rates are reviewed regularly by the Finance and Governance Sub-Committee. The policy is reviewed on an annual basis.

Reserves Policy and Going Concern

The reserves of the charity have been divided into Restricted funds and General funds in accordance with charity legislation.

The Restricted fund represents money given to MAC for specific capital and project work within the overall aims of the organisation. The funds are analysed between capital and project, as set out in notes 15 and 16 to the accounts. Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds over their lifetime. Project funds will usually be spent in full within 5 years. The balance on the long-term capital funds represents funds received from donors towards the MAC/Sampad Building Project and for the purchase of fixed assets, less the depreciation charged on an annual basis. Over time these reserves will reduce to zero as the assets are fully depreciated.

The balance on restricted funds as at 31 March 2019 of £2,973,020 includes a balance of £2,413,070 in respect of the capital redevelopment project and £559,950 grants and donations received in respect of specific arts projects. These grants and donations include sums from a range of supporters towards future commissions, productions, co-productions, exhibitions and events as part of MAC's longer range artistic programme.

The general unrestricted reserves figure of £476,869 including (£711,951) pension liability, £503,294 general funds and £685,526 of designated funds, has been reviewed by the Trustees and they have determined, on the basis of detailed business and financial planning, and cashflow projections through to 2020, that this level is adequate to maintain financial stability on an on-going basis. However, in light of an anticipated call on reserves to balance annual budgets and facilitate cashflow, and potential reductions in public investments over the next few years, it is felt that the level of reserves should be increased and aim to cover 3 months running costs. Therefore the strategic plan 2019-2022 aims to realise surpluses to rebuild reserves. The Trustees have also judge that a reasonable provision should be allowed for repairs and maintenance of the company's assets, any unforeseen legal or redundancy costs. It is also recognised that the economic environment continues to carry risks around ticket and other sales receipts as well as to its catering and other trading profits.

Designated Funds

Following discussion by the Board it was agreed to retain a designated fund of £685,526 (2018: £685,526) to support strategic development, repairs and maintenance of the building and long-term sustainability.

Without the continuing support of Arts Council England, People's Postcode Lottery and Birmingham City Council it would be challenging for the Trust to continue operating. In addition the Trustees are looking for opportunities to build MAC's economic resilience in the light of declining public investment prospects and maximise the potential on the existing site at Cannon Hill Park to enable a programme of creative learning, artist development and commercial hire activities.

Our consolidated balance sheet remains strong with net current assets of £1,401,086. The Trustees have reviewed the circumstances of MAC and MAC Trading and consider that adequate resources continue to be available to fund the activities of the Trust and group for the foreseeable future. The Trustees are of the view that Trust and group are a going concern.

MAC proactively manages cash flow; for much of MAC's income it is paid in advance or on the day; much of our operating cost is spread evenly across the year apart from payment for capital projects.

Principal Risks and Challenges

We are committed to sustaining a confident and skilled organisation and providing the best possible creative environment in which to develop our work at MAC, in communities and increasingly on line. Our planning acknowledges the importance of investing in high-quality artistic delivery, people and infrastructure to bring the best work to the widest audience. We regularly monitor risks to enable the successful delivery of our artistic programme and use a range of self-assessment tools, external evaluation and peer review to help us ensure our work reaches our own high standards, supporting excellence whilst ensuring the widest possible participation and engagement.

The Board has reviewed and assessed the risks to which we may be exposed. A risk register identifies those risks and assigns specific actions and responsibilities for mitigating them. The risk management process is ongoing, and is regularly updated by the Senior Management Team and reviewed by the Board. The Board maintains a watchful eye on financial, reputational and operational risks, efficiency, streamlining operations, processes and practices, to achieve the best and fairest use of our financial and human resources. During the year our business model planning looked at the likelihood of continued reduction in public investment and increasing emphasis on fundraising and diversification of other income streams. The business planning activities are enabling the Senior

Management team and Board to make informed business decisions while understanding the risks and opportunities for the organisation and how this might affect MAC's future plans.

The Finance and Governance Committee meets at least six times a year and reports to the full Board.

The Finance and Governance Committee reviews the effectiveness of all internal controls, including financial, operational and compliance controls and risk management systems. The internal systems are designed to meet the Company's particular needs and the risks to which we are exposed, to manage those risks and to provide reasonable assurance that mitigation plans are realistic and likely to be effective. The Committee also reviews and advises the Board on established regular procedures, including budgetary controls, and monitors the receipt of income for both revenue and capital expenditure.

The high level risks and management strategy as at 31 March 2019 were:

| | RISKS | STRATEGY |
|---|--|---|
| FINANCIAL | | |
| 1 | Loss of key staff skills due to uncompetitive salaries, and inability to offer promotion opportunities, leading to high staff turnover costs and affecting the timely reporting of financial information. | Regularly review staff structures, be open to progression opportunities, keep salaries pegged to nationally negotiated rates, ensure salaries are in line with industry rates, develop good staff communication channels with a diverse workforce and strong succession planning in key roles. |
| 2 | Challenge to the current business model and long term sustainability to deliver social as well as artistic mission if the gap between public funding and income from ticket sales and fundraising cannot be met. | Increase commercial income and fundraising. Developing new income streams with BCC and get contract in place for an agreed level of funds from charging in car park year on year and model other forward scenarios. Future planning to increase fundraising capacity. |
| 3 | National Stakeholders subject to external pressures resulting in low or no funding/investment in MAC. | Remain alert to Government and BCC briefings, constantly review and implement advocacy strategy and activities within Culture Central. Review business plans and budget forecasts to respond to latest intelligence on funding scenario. |
| 4 | Decrease in custom in the Café and Bar resulting in a fall in catering income and not meeting the budgeted contribution to the Charity. | Strong procurement strategy using a range of suppliers to get the best deals, good cost control, high level of customer service and a structured price strategy. |
| LEADERSHIP AND GOVERNANCE | | |
| 5 | Insufficient Safeguarding measures: Operational, financial and reputational risks to business if fail to have appropriate and effective safeguarding policy, procedures and constant monitoring in place. | Ensure appropriate professional advice is used wherever necessary; regularly review policies and check procedures: SMT to receive reports on any issues arising; build in robust challenges to our own systems. |
| 6 | Failing to adhere to GDPR throughout the organisation leading to data breach, potential large fines as well as additional resource required by Charity to meet any subject | On-going staff training and monitoring of policies, systems and contracts. Ensure appropriate professional advice is used and update according to on-going advice received to lessen the impact of any breaches. |
| ARTISTIC | | |
| 7 | Lack of control of the programme through poor contractual arrangements and protection of intellectual property leading to missed business opportunities. | Develop strong contracting system with all external partners and include branding of work with partnership agreements. All relevant contracts signed prior to event happening. |
| COMMS / PR | | |
| 8 | Changing channels of communication; lack of resource to keep up; effort to keep control. | Collaboration with other networks and development agencies to keep on top of industry changes. |
| AUDIENCES | | |
| 9 | Post- implementation of parking charges, lack of affordable parking capacity leading to adverse customer experience and decrease in visitor numbers. Negative impact on reputation, | Continue to liaise with local partners and stakeholders to address parking issues and work with BCC on communications regarding charges and income generation opportunity. |
| TECHNOLOGY | | |
| 10 | Reliance on "systems" / risk of technological obsolescence leading to incidents and problems impacting on the company's ability to function efficiently and access IT resources/systems. | Maintain current supported systems, ensure back up and restoration procedures and policies are in place. Ensure it is prioritised as part of the 5 year replacement and renewal plan. Avoid technological obsolescence and end of life situations. Proactively ensure systems are in place to monitor risks daily and ensure the IT support company is suitable. |
| 11 | Reliance on Internet (now used for telephony, Spektrix, email, social media) - risk to business continuity. | Ensure that backup systems are functional performance acceptable and that service contracts are in place to remedy failures in a timely manner. |
| 12 | Cyber-attack and Technology crime endangers security of company information, disrupts day to day business, leading to financial losses, data breach or reputational damage. | Key policies embedded at induction and training throughout relevant teams. Ensure key data is encrypted. Guidance sought from external bodies e.g. ICO re data protection; working with specialist company to review our current security and ensure we are up to date with the latest technology and best practice. Cyber defence systems, monitoring and spam filtering in place. |
| BUILDING, OPERATIONS AND ENVIRONMENT | | |
| 13 | Security issues including increase in begging and anti-social behaviour in the park and car park, leading to loss of reputation as a safe place to visit, staff intimidation and customers compromised. | Continue to work closely with the police, park management and other local stakeholders. Log all incidents to review on site security and staff support on a regular basis and taking appropriate measures to ensure personal safety. |
| 14 | Increased level of external activity in the surrounding area presenting competition and car parking capacity issues. | Maintain close communication with all relevant stakeholders. MAC leads a quarterly meeting for all concerned and look at partnerships and impact of other activities. Communicate with customers when large scale events are |

Plans for Future Periods

Pricing Policy

Our pricing policy reflects our strategy of enabling all within our community, whatever their means, to take part in our activities - to participate in learning activities and attend our events. Our exhibitions offer an opportunity for the public to view, free of charge, new works created by contemporary artists, works on loan from major collections and to see the work of leading artists of our day and to gain experience of ground-breaking art.

Full ticket prices to our live events and cinema and live event screenings vary between £3.50 and £20. Concessionary rates are available for most things and are always priced with a minimum 10% reduction for those entitled to concessions. Tickets for learning programmes at MAC vary enormously from £4 for individual events to £220 for a full week holiday course. Concessions are available on all courses and a range of free to access learning activities for children, families and young people are presented regularly in our public spaces along with free performances and events. We fundraise to help make our activities affordable and within the reach of those most in need.

To view our programme, and for fuller details of ticket prices and discount terms and conditions, or to book online, visit our website www.macbirmingham.co.uk, email our enquiry team at: info@macbirmingham.co.uk or telephone our booking office 0121 446 3232 or visit our booking office, open 9am until 9pm every day.

Future Plans

To secure the future sustainability of the organisation and to build on significant successes within the business, the Board has developed a longer range updated business plan for 2018-22. This aims to facilitate the growing demand for our work – especially for learning and participation activities - and to critically develop further MAC's commercial endeavours.

MAC has increasingly relied on Events Hire as an important source of earned income, promoting the distinction of our artistic programme and venue as a unique setting. We will continue to maximise creative, social and income generation opportunities throughout the premises with greater emphasis on pursuing cross-departmental opportunities with ticket sales and evening catering. MAC catering is proving to be a significant source of regular income of turnover annually. This is expected to increase with huge potential to increase our catering services by extended onsite and offsite opportunities.

MAC fundraising has continued to attract significant success. A wide range of new collaborators nationally and internationally are essential to our artistic credibility and sustainability. Going forward MAC is a member of three international consortiums that plan to expand and celebrate artistic exchanges across Bangalore, Pakistan and Africa – with funding already secured to ensure that new voices and diverse experiences are represented at MAC. This artistic confidence and collaboration also extends to our continued partnership with Youth Music with a new four-year funding agreement that sees us extend our inclusive community music programme with the award winning **MAC Makes Music**.

Essential to the growth of MAC is our continued commitment to capital development. We have recently submitted applications to GBSLEP and Arts Council England, to identify a series of capital changes that would generate additional earned income in the areas of catering, events hire and learning and participation activities. Changes include extending and improving artist studios, café refurbishment and broadening digital capacity to extend beyond

Board Recruitment

Board recruitment remains critical to ensure that we have an effective, diverse, knowledgeable and committed team of Trustees in place to support MAC's sustainability.

Reference & Administrative Information

Charity Name: Midlands Arts Centre
Charity Registration Number: 528979
Company Registration Number: 00718349
Registered Office: Cannon Hill Park, Birmingham B12 9QH

Bankers

| | |
|--|--|
| HSBC Plc 130 New Street Birmingham B2 4JU | Shawbrook Bank Ltd Lutea House Warley Hill Business Park The Drive, Great Warley Brentwood Essex CM13 3BE |
|--|--|

Auditors

Cooper Parry Group Limited
Statutory Auditors
Park View
One Central Boulevard
Blythe Valley Business Park
Solihull B90 8BG

Structure, Governance & Management

During the year under review, the following individuals served on the Board of Directors:

| | |
|-------------------------------------|-------------------------------------|
| Cllr Matt Bennett | Gurdip Bhangoo (appt. 26 /11/2018) |
| Junaid Bhatti | Stephanie Dale |
| Owen Dutton | Daljinder Johal (appt. 26 /11/2018) |
| Emrys Jones (resigned 27/09/2018) | Sharon Lea |
| Haseena Lockhat (appt. 26 /11/2018) | Mary Martin (Vice Chair) |
| Greg Lowson (Vice Chair) | Louise McCathie |
| Sara Meyer (resigned 27/09/2018) | Linda Saunders |
| Sue Scholes | James Spencer (appt. 26 /11/2018) |
| Cllr Martin Straker-Welds | Jonnie Turpie (Chair) |
| Mike Williams | |

Junaid Bhatti, Stephanie Dale, Owen Dutton, Sharon Lea and Jonnie Turpie will retire by rotation and, Stephanie Dale, Owen Dutton, Sharon Lea and Jonnie Turpie, being eligible, will offer themselves for re-election at the forthcoming AGM.

Governing Document

Midlands Arts Centre (trading as MAC) is a company limited by guarantee and a registered charity. It was established on 19 March 1962 (Certificate of Incorporation on Change of Name; 5 December 1990) and its Articles of Association amended to allow for current governance arrangements on 18 November 1992 (11 to 12 Board members); on 15 November 1995 (2 to 3 Birmingham City Council nominated Board members) and on 25 September 2014 (12 to 15 Board members).

The company's object is the promotion of, education in and appreciation of the arts. This primary charitable object is set out in its governing instrument which is its Memorandum and Articles of Association. The company's Mission is to promote innovative, creative arts activities in ways which help to establish them as an important part of people's lives. MAC's principal objectives are to encourage as many people as possible to:

- explore, examine and enjoy the arts activities of others; and
- participate in, and undertake, their own arts activities.

The governing body is the Board whose members are non-executive and unpaid. The Board meets regularly, retains full and effective control over the company and monitors the Executive (see below). The Board is involved in major strategic decisions and has ultimate responsibility for the conduct and financial stability of the arts centre. It seeks to support the Executive in a culture of mutual confidence and trust.

Recruitment and Appointment to the Board of Directors

As set out in the Articles of Association the number of members of the Board (other than those nominated by Birmingham City Council) as specified in article 31 of the Articles of Association is no less than 4 and not more than 15. Birmingham City Council may appoint up to three members of the Board. The Chair and Vice-Chair/s are elected by the Board from amongst their number. Nominees appointed by Birmingham City Council are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to Local Government nominees. Board members at the date of this Report are listed above as all Board members who served during the year under review.

Board Induction & Training

The Chair or Vice Chair, together with the CEO, meet with newly appointed Board members to brief them on: their role and responsibilities as a trustee as outlined the Terms of Reference; their legal obligations under charity and company law; Charity Commission guidance on public benefit; review the content of the Memorandum and Articles of Association, committee and decision-making processes, current business plans and recent financial performance of the charity. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

Key documentation is provided in Board inductions including, the current Business Plan and budget, the Mission Statement and artistic, educational, equal opportunities policies, the Memorandum and Articles of Association, the latest annual report and audited accounts and previous Board papers, to give Board members a full understanding of the organisation.

The Head of Governance and HR ensures Board members are aware of policies relevant to them and that they complete relevant paperwork, such as their declaration of interests and personal data for monitoring purposes. Board and staff structures are provided including the membership and role of sub-committees, practical information on communications, procedures and timings of meetings.

The Chair meets with all Board members individually for an annual appraisal. The annual Board Away Day provides development opportunities for the Board and identifies further development needs in order for relevant training to be scheduled.

Organisational Structure

The Board of Directors (the Trustees) meets on a regular basis. The Directors delegate the day to day running of the company to the Artistic Director/Chief Executive (CEO) who is assisted by a Senior Management Team.

During the year they were:

| | |
|-----------------|---------------------------------------|
| Deborah Kermode | Chief Executive and Artistic Director |
| Michelle Smith | Strategic Operations Director |
| Hinal Shah | Head of Finance |
| Lindsey Cook | Head of Sales and Marketing |
| Sue Longfils | Head of Governance and Strategic HR |

The Board delegates to the CEO full control over the selection and production of all programmes and events presented at, and under the auspices of, MAC. The CEO and the other members of the Senior Management Team generally attend meetings of the Board. The Board appoints members of the Senior Management Team and determines their contracts of employment. The Board monitors the performance of the Senior Management Team and reviews the quality, effectiveness and timeliness of information provided to the Board by the Executive.

The Board has established a Finance and Governance Sub-Committee which reviews the financial performance of the company and plays a full part in strategic business planning. Financial Regulations have been established and approved by the Board of MAC. They are intended to set out the working arrangements by which the Board gives effect to its statutory financial responsibilities, and to its management powers as defined in paragraphs 41 to 43 of the Articles of Association adopted by Special Resolution on 25 September 2014. Further, they provide details of powers delegated to the CEO and managers of the company by the Board in accordance with paragraphs 55 to 56 of these Articles of Association, and to its responsibilities under paragraphs 59 to 62 of these Articles of Association relating to Accounts and Audit.

The CEO is responsible to the Board for the proper administration of the company's financial affairs. The CEO may delegate to the Head of Finance responsibility for systems, day-to-day accounting and preparation of regular management accounts and budgets.

Related Parties

MAC is formally a member of the following organisations, with which it co-operates in the pursuit of its charitable objectives:

- Arts Marketing Association
- Greater Birmingham Chamber of Commerce
- Culture Central
- ENGAGE
- Future Arts Centres
- Independent Theatre Council
- Sight and Sound
- The Stage Media Company
- Touring Exhibitions Group
- UK Theatre
- West Midlands Growth Company

The charity's wholly owned subsidiary, Midlands Arts Centre Trading Limited, was established to manage the commercial bar and catering operation and hiring out space and facilities at MAC.

In its work MAC collaborates with a wide range of artistic and community partners.

Pay Policy for Senior Staff

The directors consider the senior management team, comprising the key management personnel of the charity, to be in charge of directing and controlling, running and operating the charity on a day to day basis.

The recruitment of the Chief Executive is conducted by the Chair and a panel of Board members. The appointment of members of the senior management team is conducted by the CEO and a Board member. All MAC staff pay levels are referenced to points on the scale used by the National Joint Council for Local Government Services, used by many public and third sector organisations.

Pay awards are negotiated nationally by the relevant Unions with Local Authorities employer representatives. MAC implements any salary increases thus negotiated.

Statement of Directors' Responsibilities

The directors (who are also Trustees of Midlands Arts Centre for the purpose of Charity Law) are responsible for preparing the Annual Report, including the Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate and proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

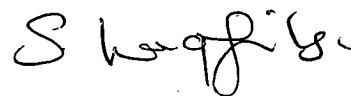
By Order of the Board

E J Turpie - MBE
Chair

24 September 2019



S Longfils
Secretary



Independent Auditors' Report to the Members of Midlands Arts Centre

Opinion

We have audited the financial statements of Midlands Arts Centre ("the parent charitable company") and its subsidiary ("the group") for the year ended 31 March 2019 which comprise the Group Statement of Financial Activities, the Group and Parent Company Balance Sheets, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"(United Kingdom Generally accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the Report of the Trustees, other than the financial statements and our audit report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with legal requirements.

Matters on Which We Are Required to Report by Exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Act 2011 requires us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities on page 28, the trustees

(who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

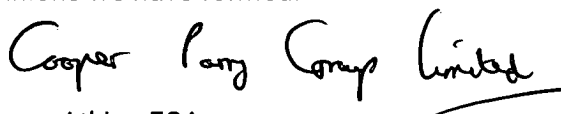
We have been appointed as auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our audit report.

Use of our Report

This report is made solely to the charitable company's members, as a body, and to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) regulations 2008, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, and the charitable company's trustees as a body for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Cooper Parry Group Limited". The signature is written in a cursive, flowing style.

Simon Atkins FCA
Senior Statutory Auditor for and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
One Central Boulevard
Park View, Blythe Valley Park
Solihull
West Midlands B90 8BG

Date: 4 October 2019

MIDLANDS ARTS CENTRE

Consolidated Statement of Financial Activities

(including consolidated Income and Expenditure Account) for the year ended 31 March 2019

| | Notes | Unrestricted funds £ | Restricted building project £ | Other restricted projects £ | 2019 Total £ | 2018 Total £ |
|---|-------|----------------------------|--|--------------------------------------|--------------------|--------------------|
| INCOME | | | | | | |
| <i>Donations and legacies</i> | 2 | 407,562 | - | - | 407,562 | 388,329 |
| <i>Income from charitable activities</i> | | | | | | |
| Grants, donations and other income | 3 | 888,990 | - | 367,745 | 1,256,735 | 1,239,479 |
| Arts activities | 4 | 1,260,628 | - | - | 1,260,628 | 1,308,933 |
| <i>Income from other trading activities</i> | | | | | | |
| Commercial trading operations | 5 | 1,760,436 | - | - | 1,760,436 | 1,722,555 |
| Office lettings, hire and recharges | | 179,872 | - | - | 179,872 | 203,879 |
| <i>Investment income</i> | 2 | 19,113 | - | - | 19,113 | 19,761 |
| Total income | | 4,516,601 | - | 367,745 | 4,884,346 | 4,882,936 |
| EXPENDITURE | | | | | | |
| <i>Expenditure of raising funds</i> | | | | | | |
| Commercial trading operations | 6 | 1,209,748 | - | - | 1,209,748 | 1,132,183 |
| <i>Expenditure on charitable activities</i> | | | | | | |
| Arts activities | 6 | 3,198,275 | - | 377,617 | 3,575,892 | 3,597,548 |
| Total expenditure | | 4,408,023 | - | 377,617 | 4,785,640 | 4,729,731 |
| Net income for the year | | 108,578 | - | (9,872) | 98,706 | 153,205 |
| Transfers between funds | | - | - | - | - | - |
| Net movement in funds for the year | | 108,578 | - | (9,872) | 98,706 | 153,205 |
| Reconciliation of funds | | | | | | |
| Total Fund brought forward | | 368,291 | 2,413,070 | 569,822 | 3,351,183 | 3,197,978 |
| Total funds carried forward | | 476,869 | 2,413,070 | 559,950 | 3,449,889 | 3,351,183 |

All activities of the Group are continuing and there is no difference between the reported result for the year stated above and that on a historical cost basis.

The Group has no recognised gains and losses other than those included in the Consolidated Statement of Financial Activities.

The notes on pages 36 to 53 form part of these financial statements.

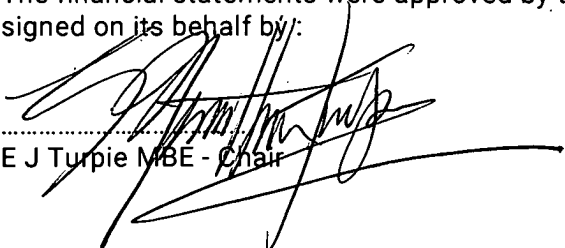
Midlands Arts Centre (Company No. 00718349)

Balance Sheets as at 31 March 2019

| | | Consolidated | | Company | |
|--|---------|------------------|------------------|------------------|------------------|
| | Notes | 2019 £ | 2018 £ | 2019 £ | 2018 £ |
| FIXED ASSETS | | | | | |
| Tangible fixed assets | 9 | 2,667,369 | 2,680,487 | 2,667,369 | 2,680,487 |
| Investment in subsidiary undertaking | 10 | - | - | 100 | 100 |
| Total Fixed Assets | | <u>2,667,369</u> | <u>2,680,487</u> | <u>2,667,469</u> | <u>2,680,587</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 11 | 34,202 | 29,314 | - | - |
| Debtors | 12 | 302,461 | 300,080 | 474,959 | 425,800 |
| Cash at bank and in hand: | | | | | |
| - unrestricted | | 1,323,156 | 1,268,868 | 1,085,760 | 1,085,686 |
| - restricted – projects | | 559,950 | 569,822 | 559,950 | 569,822 |
| - restricted – capital (lease) | | 2,413,070 | 2,413,070 | 2,413,070 | 2,413,070 |
| Total Current Assets | | <u>4,632,839</u> | <u>4,581,154</u> | <u>4,533,739</u> | <u>4,494,378</u> |
| LIABILITIES | | | | | |
| Creditors falling due within one year | 13 | (3,231,752) | (3,217,444) | (3,132,752) | (3,130,768) |
| NET CURRENT ASSETS | | <u>1,401,087</u> | <u>1,363,710</u> | <u>1,400,987</u> | <u>1,363,610</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>4,068,456</u> | <u>4,044,197</u> | <u>4,068,456</u> | <u>4,044,197</u> |
| Pension liability | 23 | (618,567) | (693,014) | (618,567) | (693,014) |
| NET ASSETS | | <u>3,449,889</u> | <u>3,351,183</u> | <u>3,449,889</u> | <u>3,351,183</u> |
| Represented by: | | | | | |
| RESTRICTED FUNDS | 15 & 16 | 2,973,020 | 2,982,892 | 2,973,020 | 2,982,892 |
| UNRESTRICTED FUNDS | | | | | |
| General Funds | 17 | 503,294 | 469,163 | 503,294 | 469,163 |
| Designated Funds | 17 | 685,526 | 685,526 | 685,526 | 685,526 |
| Pension reserve | 17 | (711,951) | (786,398) | (711,951) | (786,398) |
| | | <u>3,449,889</u> | <u>3,351,183</u> | <u>3,449,889</u> | <u>3,351,183</u> |

The notes on page 36 to 53 form part of these financial statements.

The financial statements were approved by the Board of Directors on 24 September 2019 and signed on its behalf by:


E J Turpie MBE - Chair

MIDLANDS ARTS CENTRE

Consolidated Cash Flow Statement for the Year Ended 31 March 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|---------------|------------------|
| Reconciliation of net incoming resources to net cash flow from operating activities | | | |
| Net incoming resources | | 98,706 | 153,205 |
| Depreciation charges | 9 | 71,464 | 55,146 |
| Net interest | 2 | (19,113) | (19,761) |
| (Increase)/Decrease in stocks | 11 | (4,888) | 544 |
| (Increase)/Decrease in debtors | 12 | (2,381) | (77,587) |
| (Decrease)/Increase in creditors | 13 | (60,139) | (131,740) |
| | | <hr/> | <hr/> |
| Net cash inflow from operating activities | | <u>83,649</u> | <u>(20,193)</u> |
| CASH FLOW STATEMENT | | | |
| Net cash inflow from operating activities | | 83,649 | (20,193) |
| Returns on investments and servicing of finance | (a) | 19,113 | 19,761 |
| Capital expenditure | 9 | (58,346) | (139,612) |
| Increase in cash | (b) | <u>44,416</u> | <u>(140,044)</u> |

The notes on pages 36 to 53 form part of these financial statements.

MIDLANDS ARTS CENTRE

Notes to the Consolidated Cash Flow Statement for the Year Ended 31 March 2019

| (a) <u>Returns on investment and servicing of finance</u> | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Interest received | <u>19,113</u> | <u>19,761</u> |

| (b) <u>Increase in cash</u> | 2019 £ | 2018 £ |
|--------------------------------|-------------------------|-------------------------|
| Balance at beginning of period | 4,251,760 | 4,391,804 |
| Net cash inflow (note c) | <u>44,416</u> | <u>(140,044)</u> |
| Balance at end of period | <u><u>4,296,176</u></u> | <u><u>4,251,760</u></u> |

| (c) <u>Reconciliation of net cash flow to movements in net funds</u> | £ |
|--|-------------------------|
| Increase in cash during year being change in net funds | 44,416 |
| Net funds at 1 April 2018 | <u>4,251,760</u> |
| Net funds at 31 March 2019 | <u><u>4,296,176</u></u> |

| (d) <u>Analysis of changes in net funds</u> | At 1 April 2018 £ | Cash flows £ | At 31 March 2019 £ |
|---|-------------------------|--------------------|--------------------------|
| Cash at bank | <u>4,251,760</u> | 44,416 | <u><u>4,296,176</u></u> |

Notes to the Financial Statements for the Year Ended 31 March 2019

1. Accounting Policies

The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a Basis of preparation

Midlands Arts Centre meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

b Basis of Consolidation

The consolidated financial statements consolidate the results of the parent company and of the subsidiary on a line by line basis. A separate Statement of Financial Activities and income and expenditure account for the charitable company itself are not presented because advantage has been taken of the exemptions afforded by section 408 of the Companies Act 2006.

c Income

Income from arts activities is included in incoming resources in the period in which the relevant activity takes place. Income is deferred when admission fees are received in advance of the performances or events to which they relate.

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Income from commercial trading operations is recognised as earned.

Investment income is included in the financial statements as and when receivable and the amounts shown include taxation recoverable thereon, where applicable.

d Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the Trustees have decided at their discretion to set aside to use for a specific purpose.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific artistic projects being undertaken by the Trust.

e Donated services

Where services are provided to the charity as a donation that would normally be purchased from suppliers, this contribution is included as an estimate based on the value of the contribution to the charity.

f Expenditure and irrecoverable VAT

Expenditure is included in the Consolidated Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- o Costs of raising funds comprise the costs of commercial trading including the café, bar, room hires and their associated support costs.
- o Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- o Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

All costs are allocated between the expenditure categories of the Consolidated Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

g Depreciation and impairment

Buildings

Historically, amortisation has been provided on leasehold buildings with effect from 2 April 1984 to write off the expenditure over the remaining period of the lease. However, as the lease is due to be surrendered on practical completion of

the new building project it has been fully impaired.

Short-term leasehold improvements and fixtures, fittings and equipment

Depreciation is being provided on short-term leasehold improvements and fixtures, fittings and equipment other than computers in equal annual instalments over their estimated working life of between 3 to 25 years.

Computers

Depreciation on computers is being provided in equal instalments over an estimated working life of 3 years.

Impairment

All long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In such circumstances the charitable group estimates the future cash flows expected to result from the use of the asset and its disposal and where those are less than the carrying amount an impairment loss is recognised.

h Capital grants

Grants and donations received for capital purposes are accounted for as restricted funds and depreciation of the underlying fixed assets is charged to these funds.

i Stock

Stock is valued at the lower of cost and estimated realisable value.

j Lease rentals

Rentals on operating leases are charged in the revenue account as incurred.

k Pre-production costs

Any costs which are not able to be recycled or resold are written off and are not carried forward to match against production income.

l Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

m Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their

settlement amount after allowing for any trade discounts due.

n Pension costs

To meet the requirements of auto-enrolment of staff into a pension scheme, the company offers the NEST pension scheme.

Previous pension schemes available to staff are now closed.

o Going concern

These accounts have been prepared on a going concern basis.

The Directors and Trustees have considered the charitable company's business planning in the context of known resources and have reviewed the operating basis of the group's operations. A formal business plan for the period to 2020 has been prepared.

Midlands Arts Centre is dependent upon the continuing financial investment of Birmingham City Council and Arts Council England.

As detailed in the Report of the Directors and Trustees, Arts Council England has confirmed funding through until 31 March 2022 and Birmingham City Council service level agreement is under negotiation for year ending March 2020.

The Trustees have prepared detailed revenue and cashflow forecasts for the coming year and having considered the results of these forecasts, together with the commitment from Birmingham City Council and Arts Council England, are satisfied that the charitable company remains a going concern.

2. Income from Donations and Legacies

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Grants, Donations and other income - unrestricted | | |
| People's Postcode Lottery | 375,000 | 350,000 |
| Pinsent Masons pro-bono fees | 1,377 | 8,359 |
| Fund raising and gift aid donations | 31,185 | 29,970 |
| | <u>407,562</u> | <u>388,329</u> |
| Investment Income | | |
| Unrestricted | 19,113 | 19,761 |
| Restricted | - | - |
| | <u>19,113</u> | <u>19,761</u> |

3. Incoming Resources from Charitable Activities

| Grants, Donations and other income - unrestricted | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| Arts Council England | 739,146 | 739,146 |
| Birmingham City Council - Service level agreement | 120,000 | 120,000 |
| Other Income | 29,844 | 25,745 |
| | <u>888,990</u> | <u>884,891</u> |

Grants, Donations and other income - restricted

| General Projects | 2019 | 2018 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Arts Council England | 72,300 | - |
| Birmingham City Council | - | 49,040 |
| National Foundation for Youth Music | 159,723 | 146,326 |
| Roughley Trust | 10,000 | 10,000 |
| Saintbury Trust | 45,000 | 30,000 |
| Feeney Trust | 3,500 | 6,000 |
| Garfield Western Foundation | - | 25,000 |
| Esmee Fairbairn Foundation | 33,833 | 33,834 |
| Birmingham & Solihull Mental Health | - | 12,000 |
| Other Projects | 43,389 | 42,388 |
| | <u>367,745</u> | <u>354,588</u> |

4. Income from Arts Activities

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Cinema | 260,610 | 285,537 |
| Learning and Participation | 573,006 | 528,630 |
| Visual Arts | 18,597 | 20,400 |
| Productions and Performances | 338,815 | 412,482 |
| Other Income | 69,600 | 61,884 |
| | <u>1,260,628</u> | <u>1,308,933</u> |

Income generated from Arts Activities for 2019 and 2018 all relates to unrestricted funds.

5. Income Earned from Trading Operations

The charitable company owns 100% of the share capital of Midlands Arts Centre Trading Limited which provides catering services, event sales, venue hires and retail activities. During the year, Midlands Arts Centre Trading Limited made sales of £25,344 (2018: £20,587) to the parent company.

| | 2019 | 2018 |
|---|------------------|------------------|
| | £ | £ |
| Turnover | 1,785,780 | 1,743,142 |
| Cost of sales | (428,524) | (429,385) |
| Gross profit | <u>1,357,256</u> | <u>1,313,757</u> |
| Staff costs | (614,989) | (557,626) |
| Other operating costs | (166,236) | (145,172) |
| Transactions with parent company: | | |
| Facility fee payable | (209,000) | (199,000) |
| Technical and customer services support recharged | (47,612) | (43,373) |
| Room rental payable | (197,201) | (185,693) |
| Licence fees payable | (2,200) | (2,200) |
| Covenanted profit transferred under gift aid | (120,018) | (180,693) |
| Operating profit | <u>-</u> | <u>-</u> |
| Tax on profit on ordinary activities | - | - |
| Retained in subsidiary | <u>-</u> | <u>-</u> |
| The assets and liabilities of the subsidiary at 31 March were: | | |
| Net current assets | <u>100</u> | <u>100</u> |
| Total net assets | <u>100</u> | <u>100</u> |
| Aggregate share capital and reserves | <u>100</u> | <u>100</u> |

6. Total Expenditure

| | Cinema | Learning and participation | Visual Arts | Performing Arts | Other Restricted Projects | Trading operations | 2018/19 Total | 2017/18 Total |
|---|----------------|----------------------------|----------------|------------------|---------------------------|--------------------|------------------|------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Costs directly allocated to activities | | | | | | | | |
| Staff costs, travel and subsistence | 117,472 | 516,877 | 234,944 | 305,428 | 130,458 | 573,274 | 1,878,453 | 1,790,191 |
| Payments relating to artists | 109,130 | 157,632 | 97,005 | 242,511 | 152,287 | - | 758,565 | 852,026 |
| Materials and consumables | 11,340 | 37,260 | 92,339 | 21,060 | 45,524 | 611,527 | 819,050 | 848,152 |
| Communications | 20,722 | 80,585 | 23,024 | 105,912 | 9,952 | - | 240,195 | 198,990 |
| IT systems providing direct arts support | 5,951 | 11,571 | 3,967 | 11,571 | 1,431 | 4,208 | 38,699 | 54,595 |
| Administration | 652 | 652 | 9,456 | 109 | 27,267 | 20,739 | 58,875 | 41,820 |
| Total direct costs | 265,267 | 804,577 | 460,735 | 686,591 | 366,919 | 1,209,748 | 3,793,837 | 3,785,774 |
| Support costs allocated to activities | | | | | | | | |
| Premises and services costs | - | - | - | - | 10,698 | - | 10,698 | 9,058 |
| Building running costs | 73,280 | 219,840 | 84,554 | 186,018 | - | - | 563,692 | 480,818 |
| HR and administration | 10,957 | 32,870 | 12,642 | 27,813 | - | - | 84,282 | 82,275 |
| IT & Finance | 26,850 | 97,637 | 36,614 | 82,992 | - | - | 244,093 | 227,237 |
| Governance | 3,283 | 8,911 | 3,752 | 7,504 | - | - | 23,450 | 29,798 |
| Operations and planning | 6,558 | 26,236 | 9,838 | 22,956 | - | - | 65,588 | 114,771 |
| Total support costs | 120,928 | 385,494 | 147,400 | 327,283 | 10,698 | - | 991,803 | 943,957 |
| Total costs - 2018-19 | 386,195 | 1,190,071 | 608,135 | 1,013,874 | 377,617 | 1,209,748 | 4,785,640 | - |
| Total costs - 2017-18 | 395,639 | 1,206,383 | 652,047 | 1,025,243 | 318,236 | 1,132,183 | - | 4,729,731 |

Support costs have been allocated to activities on a percentage linked to direct costs.

£377,617 (2018: £318,236) of the above costs were attributable to restricted funds. £4,408,023 (2018: £4,411,495) of the above costs were attributable to unrestricted funds.

7. Charitable Expenditure

| Expenditure includes: | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Auditors' remuneration | | |
| - in respect of audit | 12,394 | 10,575 |
| - for specialist VAT advice (all holding company) | - | 2,000 |
| Depreciation – owned assets | <u>71,464</u> | <u>55,146</u> |

8. Staff Costs

| | 2019 £ | 2018 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,164,745 | 2,088,794 |
| Social security costs | 130,784 | 122,088 |
| Pension costs | <u>28,812</u> | <u>18,821</u> |
| | <u>2,324,341</u> | <u>2,229,703</u> |

No redundancy amounts (2018 : £1,956) were paid during the reporting year. Holiday accrual of £1,893 (2018: £3,530) is included in provisions.

The company contributes to the Pension Scheme for Administrative and Technical Staff in the Arts, which is a national scheme of the defined benefit type. The scheme is closed to new members. The company has also established a defined contribution scheme with NEST.

| | 2019 Number | 2018 Number |
|--|----------------|----------------|
| The number of employees whose remuneration fell within the band £60,000 to £69,999 | <u>1</u> | <u>1</u> |

Trustees' and key management personnel remuneration and expenses

No trustees received reimbursed expenses during the year. (2018: £29)

The total amount of employee benefits received by key management personnel is £224,216 (2018: £241,942). Key management personnel are set out on page 26 of this report.

The average number of employees in the year was as follows:

| | 2019 Number | 2018 Number |
|---|----------------|----------------|
| Business and administration staff – Full time | 28 | 24 |
| Business and administration staff – Part time | 56 | 60 |
| Arts team – Full time | 7 | 5 |
| Arts team – Part time | 79 | 87 |
| Catering, bar and events staff | <u>45</u> | <u>36</u> |
| | <u>215</u> | <u>212</u> |

9. Tangible Fixed Assets

| Consolidated and Company | Leasehold land and buildings £ | Leasehold Improvements £ | Fixtures and fittings £ | Computers £ | Total £ |
|--------------------------|---|--------------------------------|-------------------------------|----------------|------------|
| Cost | | | | | |
| At 1 April 2018 | 4,781,492 | 167,627 | 418,851 | 88,818 | 5,456,788 |
| Additions | - | 16,749 | 4,537 | 37,060 | 58,346 |
| At 31 March 2019 | 4,781,492 | 184,376 | 423,388 | 125,878 | 5,515,134 |
| Depreciation | | | | | |
| At 1 April 2018 | 2,368,422 | 40,117 | 287,578 | 80,184 | 2,776,301 |
| Charge for year | - | 22,676 | 39,932 | 8,856 | 71,464 |
| At 31 March 2019 | 2,368,422 | 62,793 | 327,510 | 89,040 | 2,847,765 |
| Net book values | | | | | |
| At 31 March 2019 | 2,413,070 | 121,583 | 95,878 | 36,838 | 2,667,369 |
| At 31 March 2018 | 2,413,070 | 127,510 | 131,273 | 8,634 | 2,680,487 |

In 2012 and 2014 there were additions of £2,185,000 and £228,070 to leasehold land and buildings representing the amount payable under a development agreement in respect of a lease premium due on the granting of a new lease to MAC upon the final completion of the building project. A corresponding creditor has been recognised to reflect the payment due.

As the lease has not yet been signed, no depreciation has been charged on the capitalised amount.

For further details see note 21.

10. Investment in Subsidiary Undertaking

The company owns 100% of the issued share capital of Midlands Arts Centre Trading Limited, a company registered in England and Wales, and whose principal activity is the provision of catering services, event sales and hire. The results of the subsidiary undertaking are set out in note 5.

11. Stock (Consolidated Only)

| | 2019 £ | 2018 £ |
|-------------------------|---------------|---------------|
| Catering and bar stocks | 14,424 | 18,920 |
| Retail Stock | 19,778 | 10,394 |
| | <u>34,202</u> | <u>29,314</u> |

12. Debtors

| | 2019 £ | Consolidated 2018 £ | 2019 £ | Company 2018 £ |
|--|----------------|---------------------------|----------------|----------------------|
| Amounts falling due within one year | | | | |
| Due from subsidiary undertaking | - | - | 276,671 | 208,378 |
| Other debtors | 104,602 | 64,255 | 5,841 | 5,854 |
| Prepayments | 107,064 | 126,405 | 103,315 | 125,106 |
| Accrued income | 90,795 | 109,420 | 89,132 | 86,462 |
| | <u>302,461</u> | <u>300,080</u> | <u>474,959</u> | <u>425,800</u> |

13. Creditors

| | 2019 £ | Consolidated 2018 £ | 2019 £ | Company 2018 £ |
|--|------------------|---------------------------|------------------|----------------------|
| Amounts falling due within one year | | | | |
| Trade creditors | 199,862 | 160,344 | 127,490 | 113,053 |
| Taxation and social security | 106,263 | 45,467 | 113,258 | 45,467 |
| Other creditors | 2,449,574 | 2,443,279 | 2,449,574 | 2,443,279 |
| Accruals | 183,395 | 261,335 | 167,173 | 256,120 |
| Deferred income | 199,274 | 213,634 | 181,873 | 179,465 |
| Pension liability | 93,384 | 93,384 | 93,384 | 93,384 |
| | <u>3,231,752</u> | <u>3,217,443</u> | <u>3,132,752</u> | <u>3,130,768</u> |

14. Operating Leases

The total minimum lease payments due by the charitable company at 31 March 2019 in respect of non-cancellable operating leases are as follows:

| | Consolidated Other operating leases | | Company Other operating leases | |
|--------------------------|--|---------------|-----------------------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Within one year | 1,379 | 7,720 | 1,379 | 7,720 |
| Within one and two years | 2,130 | 2,130 | 2,130 | 2,130 |
| Within two to five years | 438 | 1,817 | 438 | 1,817 |
| | <u>3,947</u> | <u>11,667</u> | <u>3,947</u> | <u>11,667</u> |

15. Restricted Funds (Charity And Group)

| | Capital Development £ | Projects (note 16) £ | Total £ |
|-----------------------------|-----------------------------|----------------------------|------------------|
| At 1 April 2018 | <u>2,413,070</u> | <u>569,822</u> | <u>2,982,892</u> |
| Incoming resources | | | |
| Incoming resources (note 3) | <u>-</u> | <u>367,745</u> | <u>367,745</u> |
| Total incoming resources | - | 367,745 | 367,745 |
| Resources expended | | | |
| Arts activities | <u>-</u> | <u>(377,617)</u> | <u>(377,617)</u> |
| | - | (377,617) | (377,617) |
| At 31 March 2019 | <u>2,413,070</u> | <u>559,950</u> | <u>2,973,020</u> |

16. Analysis of Restricted Project Funds (Charity and Group)

| | 1 April 2018 £ | Incoming resources £ | Resources expended £ | 31 March 2019 £ |
|--|----------------------|----------------------------|----------------------------|-----------------------|
| National Foundation for Youth Music Youth music inclusion programme working with children and young people in challenging circumstances | - | 159,723 | (159,723) | - |
| Other Projects* | 569,822 | 208,022 | (217,894) | 559,950 |
| Total | 569,822 | 367,745 | (377,617) | 559,950 |

* Includes sums from a range of supporters including Bryant, Roughley, Saintbury, Feeney, Cole, Rowlands, Esmee Fairbairn and William Cadbury towards commissions, productions, co-productions, exhibitions and events as part of MACs' longer range artistic programme.

Comparison to financial year ended 31 March 2018

| | 1 April 2017 £ | Incoming resources £ | Resources expended £ | 31 March 2018 £ |
|--|----------------------|----------------------------|----------------------------|-----------------------|
| National Foundation for Youth Music Youth music inclusion programme working with children and young people in challenging circumstances | 32,358 | 146,326 | (178,684) | - |
| Other Projects* | 501,112 | 208,262 | (139,552) | 569,822 |
| Total | 533,470 | 354,588 | (318,236) | 569,822 |

* Includes sums from a range of supporters including Bryant, Roughley, Saintbury, Feeney, Garfield Western and William Cadbury towards commissions, productions, co-productions, exhibitions and events as part of MACs' longer range artistic programme.

17. Unrestricted Funds (Charity and Group)

| | General Funds £ | Designated Funds £ | Pension Funds £ | Total £ |
|---|-----------------------|--------------------------|-----------------------|------------|
| At 1 April 2018 | 469,163 | 685,526 | (786,398) | 368,291 |
| Net incoming resources before transfers | 34,131 | - | 74,447 | 108,578 |
| Transfer of funds | - | - | - | - |
| At 31 March 2019 | 503,294 | 685,526 | (711,951) | 476,869 |

At the year end, the designated funds are allocated £685,526 (2018: £685,526).

- £300,000 (2018: £300,000) towards strategic development and sustainability;
- £135,526 (2018: £135,526) towards the support of new community and learning programmes;
- £250,000 (2018: £250,000) towards repairs, renewals and maintenance of the building.

In accordance with the requirements of FRS 102 MAC has recognised a pension liability of £711,951.

Comparison to financial year ended 31 March 2018

| | General Funds £ | Designated Funds £ | Pension Funds £ | Total £ |
|---|-----------------------|--------------------------|-----------------------|------------|
| At 1 April 2017 | 601,466 | 535,526 | (885,554) | 251,438 |
| Net incoming resources before transfers | 17,697 | - | 99,156 | 116,853 |
| Transfer of funds | (150,000) | 150,000 | - | - |
| At 31 March 2018 | 469,163 | 685,526 | (786,398) | 368,291 |

At the year end, the designated funds are allocated £685,526 (2017: £535,526).

- £300,000 (2017: £300,000) towards strategic development and sustainability;
- £135,526 (2017: £135,526) towards the support of new community and learning programmes;
- £250,000 (2017: 100,000) towards repairs, renewals and maintenance of the building.

In accordance with the requirements of FRS 102 MAC has recognised a pension liability of £786,398.

18. Analysis of Group Net Assets Between Funds

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds £ |
|--|----------------------------|--------------------------|---------------------|
| Fund balances at 31 March 2019 are represented by: | | | |
| Fixed assets | 254,299 | 2,413,070 | 2,667,369 |
| Stock | 34,202 | - | 34,202 |
| Debtors | 302,461 | - | 302,461 |
| Cash at bank and in hand | 1,323,156 | 2,973,020 | 4,296,176 |
| Creditors | (818,682) | (2,413,070) | (3,231,752) |
| Provisions / Pensions | (618,567) | - | (618,567) |
| | <u>476,869</u> | <u>2,973,020</u> | <u>3,449,889</u> |

The designated funds within unrestricted funds are represented by cash at bank.

Comparison to financial year ended 31 March 2018

| | Unrestricted Funds £ | Restricted Funds £ | Total Funds £ |
|--|----------------------------|--------------------------|---------------------|
| Fund balances at 31 March 2018 are represented by: | | | |
| Fixed assets | 267,417 | 2,413,070 | 2,680,487 |
| Stock | 29,314 | - | 29,314 |
| Debtors | 300,080 | - | 300,080 |
| Cash at bank and in hand | 1,268,868 | 2,982,892 | 4,251,760 |
| Creditors | (804,374) | (2,413,070) | (3,217,444) |
| Provisions / Pensions | (693,014) | - | (693,014) |
| | <u>368,291</u> | <u>2,982,892</u> | <u>3,351,183</u> |

The designated funds within unrestricted funds are represented by cash at bank.

19. Financial Activities of the Charitable Company

The financial activities shown in the consolidated statement of financial activities includes those of the company's wholly owned subsidiary.

A summary of the financial activities undertaken by the parent charitable company is set out below:

| | 2019 £ | 2018 £ |
|--|-------------------------|-------------------------|
| Gross incoming resources | 3,699,942 | 3,771,339 |
| Total expenditure on charitable activities | (3,577,787) | (3,588,336) |
| Governance costs | (23,450) | (29,798) |
| Net incoming resources for the year | <u>98,706</u> | <u>153,205</u> |
| Total funds brought forward | <u>3,351,183</u> | <u>3,197,978</u> |
| Total funds carried forward | <u>3,449,889</u> | <u>3,351,183</u> |
| Represented by: | | |
| Unrestricted funds | 503,294 | 469,163 |
| Designated funds | 685,526 | 685,526 |
| Restricted funds | 2,973,020 | 2,982,892 |
| Pension funds | (711,951) | (786,398) |
| | <u>3,449,889</u> | <u>3,351,183</u> |

20. Lease Commitments

The charitable company has a commitment to pay a peppercorn rent expiring after more than five years on the leasehold land and buildings at Cannon Hill Park.

21. Capital Commitments and Contingent Liabilities

MAC is committed to make a contribution towards the capital development project.

At the date of signing the accounts, an amount of £2,413,070 has been recognised in fixed assets as a capitalised lease premium with a corresponding creditor recorded in accruals.

The charitable company is the representative member of a VAT registration group with its subsidiary company. The parent and subsidiary are jointly and severally liable for any VAT due from the representative member.

22. Tax Status

As a charitable company, Midlands Arts Centre, is exempt from tax on income and gains falling within Sections 481-489 of the Corporation Taxes Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen within the charitable company. The trading subsidiary has no profits which are subject to taxation under the provisions of the Income and Corporation Taxes Act 2010.

23. Pensions

a) NEST Pension

The Company offers the NEST pension scheme to meet the requirements of auto-enrolment of staff into a pension scheme.

b) The Pension Scheme for Administration and Technical Staff in the Arts (PSATSA)

The company participates in the scheme, a multi-employer scheme which provides benefits to 7 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 31 March 2016. This valuation showed assets of £15.5m, liabilities of £23.7m and a deficit of £8.2m. To eliminate this funding shortfall, the Scheme's professional Trustee has asked the participating employers to pay additional contributions to the scheme based on their calculated share of the shortfall. The contributions of MAC are as follows:

Deficit contributions

| | |
|----------------------------------|-------------------|
| From 1 June 2017 to 31 May 2027: | £93,384 per annum |
|----------------------------------|-------------------|

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Present value of provision | | |
| Pension liability due in a year | 93,384 | 93,384 |
| Pension liability due after a year | 618,567 | 693,014 |
| Present value of provision | <u>711,951</u> | <u>786,398</u> |

Reconciliation of opening and closing provisions

| | Period Ending 31 March 2019 |
|---|--------------------------------|
| | £ |
| Provision at start of period | 786,398 |
| Unwinding of the discount factor interest income/(interest expense) | 18,937 |
| Deficit contribution paid | (93,384) |
| Remeasurements - impact of any change in assumptions | - |
| Remeasurements - amendments to the contribution schedule | - |
| Provision at end of period | <u>711,951</u> |

Statement of Financial Activities impact

| | Period Ending 31 March 2019 |
|--|--------------------------------|
| | £ |
| Interest income/(expense) | 18,937 |
| Remeasurements - impact of any change in assumptions | - |
| Remeasurements - amendments to the contribution schedule | - |
| Contributions paid in respect of future service | - |
| Costs recognised in income and expenditure account | - |

Assumptions

| | 31 March 2019 | 31 March 2018 |
|------------------|---------------|---------------|
| | % per annum | % per annum |
| Rate of interest | 1.4% | 1.7% |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

24. Members

The charity is incorporated as a company limited by guarantee and, in accordance with the Memorandum of Association of the company, every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves such amount as may be required, not exceeding one pound. The number of members at 31 March 2019 was 17 (2018: 15).

25. Related Party Transactions

A number of the Trustees of Midlands Arts Centre have interests in organisations which have provided support and funding to the charity in the year. The Trustees have considered the disclosure requirements of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) and of Financial Reporting Standard 102, and consider that the transactions requiring disclosure are as follows:

Greg Lowson, Trustee, is Managing Partner of Pinsent Masons, a firm the charity uses for the provision of legal services. Pro-bono fees donated by Pinsent Masons are disclosed in note 2 to the accounts.

26. Ultimate Controlling Party

MAC is controlled by its Board of Trustees.